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ER

11 APR 1985

Executive Registry

85- 690/2

NOTE FOR: [REDACTED]

Chief, Materials Science Br/OTS, [REDACTED]

SUBJECT : Your Proposal for Improved Evaluation of Contractor Proposals

Sorry for the delay in getting back to you on your proposal. It was intriguing enough that I sent it to the DDA for review. His response is attached.

The Office of Logistics obviously shares your concern over the importance of considering past performance by contractors in the evaluative process. OL is less sanguine, however, concerning its ability to support your methodology, and suggests that the approach you outlined probably would not be universally applicable.

A major stumbling block, I gather, is that the courts require uniform application of evaluation criteria and uniform use of the actual elements of comparison in a given RFP; otherwise we are accused of penalizing a contractor. It seems this would rule out the use of your cost and time factors in those instances where old and new contractors are responding to the same RFP. While we might get around the legalities with clever use of the language, your proposal puts a premium on our "factors" being right in case of a contractor protest. Such accuracy may be hard to come by given the presumably subjective judgments upon which they would be based. Your approach is akin to the process used to evaluate production contracts involving equipment suppliers. In that system, however, hard figures--such as failure rates--are available. I suspect any factors we might develop for Agency contractors might be based on much softer data.

Finally, I don't see how your process would take into account recent management changes instituted in contractor organizations subsequent to a poor showing.

The majority of those with whom I discussed your proposal, while skeptical of its applicability, acknowledged that somewhere there must be a better way to perform contractor evaluation. If your interest in this process hasn't waned, I suggest that you get together with the contracting folks in OL and see what you can come up with between you.

Thanks much for your interest and concern.

✓ [REDACTED]
Executive Director

Att [REDACTED]

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0-102

CONFIDENTIAL

18 MAR 1985

MEMORANDUM FOR: Executive Director

FROM: Harry E. Fitzwater
Deputy Director for Administration

25X1 SUBJECT: Improved Method for Evaluating Contractor
Proposals []

25X1 REFERENCE: Memo for DCI from C/MSB/OTS []
dated 6 Mar 85, Same Subject

1. Information concerning the previous performance of contractors is currently being stored in the Contract Information System (CONIF), Office of Logistics. The information regarding a contractor's technical performance is obtained from Contract Inspection Reports which are submitted to the contracting officer and CONIF by the contracting officer's technical representatives (COTRs) periodically during the performance of a contract and at the completion of the contract. The contractor's performance is rated by the COTR using the following grade scale: Outstanding, Excellent, Very Good, Above Average, Average, Minimum Acceptable, or Unsatisfactory. The grade assigned by the COTR is coded into CONIF by numerical designations with "1" being the highest grade (Outstanding) and "7" (Unsatisfactory) the lowest grade. []

2. CONIF is also able to identify contract amendments that fund overruns or extend the period of performance []

3. Procurement Note 168, dated 1 July 1983, which had the concurrence of the Deputy Director for Administration and the Deputy Director for Science and Technology, requires the mandatory use of past performance as a major evaluation criteria (see attached). Proposal evaluation teams should currently be using the data available in CONIF in performing their evaluations. This data is available by contacting CONIF on extension []

4. A problem occurs when proposals are submitted by firms having no past track record with the Agency. Courts have ruled that the same standards must be used in evaluating all proposals submitted by contractors. The evaluation criteria must be included in the request for proposal (RFP) sent to bidders.

[] []

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25X1 SUBJECT: Improved Method for Evaluating Contractor Proposals

25X1 When proposals are submitted by contractors having no Agency experience, which is not unusual, then the suggested time and cost factors cannot be used. Care should also be taken before penalizing contractors for time extensions since some extensions may have been for the convenience of the government. CONIF can tell you that a time extension was granted but not why it was granted.

25X1 5. Using time and cost factors as suggested may be a valuable tool in evaluating proposals in some cases, but not all. Evaluation criteria should be structured by the contracting officer and the COTR before issuing an RFP. If it is determined that time and cost factors can be used for a particular procurement, the information necessary to perform an evaluation on this basis can be obtained from CONIF. However, each competitive procurement should stand on its own, and the contracting officer and COTR should determine when factoring time and cost can be used. It is not recommended that it become mandatory for all competitive procurements.

25X1


Harry E. Fitzwater

Attachment

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OFFICE OF LOGISTICS
PROCUREMENT NOTE 168

1 JUL 1983


**MANDATORY USE OF PAST PERFORMANCE
AS EVALUATION CRITERIA**

1. It has been evident for some time that the source selection criteria used in evaluating competitive procurements is not sufficiently taking into account contractor past technical performance or credibility and realism of contractor cost proposals. In order to improve our source selection process, all future requests for proposal issued by contracting officers shall include past performance as significantly weighted, major evaluation criteria. Subcriteria under the major criteria of past performance shall include, as a minimum, past technical performance, past cost performance, and the ability to meet contract schedules.

2. Consideration of past performance in the source selection process should assist in eliminating poor performers and proposals that are unrealistically priced.


Daniel C. King
Director of Logistics

CONCUR:


Chief, Logistics and Procurement
Law Division, OGC

01 JUL 1983

Date


Chief, Security Staff, OL

30 June 83
Date



OL 5071-83

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25X1

SUBJECT: Improved Method for Evaluating Contractor Proposals

25X1

OL/PMS (11 Mar 85)

Distribution:

Orig - Addressee (w/att)

1 - ER (w/att)

2 - DDA (one w/att)

1 - D/L Chrono (w/o att)

1 - OL Files (w/att)

1 - CONIF (w/o att)

1 - PMS Official (w/att)

1 - PMS Chrono (w/o att)

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ATTACHMENT

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Central Intelligence Agency
Washington, D.C. 20505

4 March 1985

Executive Director

NOTE FOR: DDA

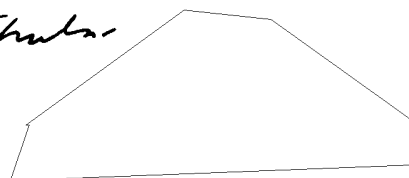
SUBJECT : Improved Method for Evaluating
Contractor Proposals

Harry:

This suggestion would appear to have some merit, though I wonder how much it would cost us to collect the data. What do you think?

Would appreciate a response by early next week.

Thanks



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ER

Executive Registry
85- 690/1



0-102

CONFIDENTIAL

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Improved Method for Evaluating Contractor Proposals ☐

FROM:

C/OTS/OG/
212 South Bldg.

EXTENSION

NO.

DATE

5 February 1985

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

~~O/DCI~~

2.

EX DIR

3.

4.

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15.

DCI
EXEC
REG

C O N F I D E N T I A L

Executive Registry

85-690

4 February 1985

MEMORANDUM FOR: Director of Central Intelligence

FROM: [REDACTED]

Chief, Materials Science Branch, OTS [REDACTED]

SUBJECT: Improved Method for Evaluating Contractor Proposals [REDACTED]

1. In response to your memo concerning creative problem solving, the following idea is offered. [REDACTED]

PRESENT SITUATION

2. When proposals for contractual efforts are evaluated by a Project Evaluation Team, the team considers, among other factors, the technical approach, the cost, the period of performance, and the previous performance of each contractor. [REDACTED]

3. Evaluators chosen for the team are most frequently capable of judging the technical aspects of the proposal. The cost and period of performance proposed by the contractor are quantitative amounts. However, the previous performance of each contractor is frequently assessed from vague recollections of each evaluator. Some evaluators may even be completely unfamiliar with the previous performance of one or more of the contractors. Thus, an important evaluation factor may not be considered as thoroughly as it might. The Government should be more concerned with how the contractor performed in the past (did he have an overrun, was he on time, etc.) than with what the contractor says he will do in the future. [REDACTED]

IDEA

4. This idea concerns a procedure that will (1) more accurately predict the cost and period of performance of contractual efforts, and (2) result in lower contractual costs. [REDACTED]

5. It is suggested that information concerning the previous performance of contractors be compiled and used to factor the proposed cost and period of performance. The following table shows in simplified fashion how such factors could be used. [REDACTED]

[REDACTED]

C O N F I D E N T I A L

C O N F I D E N T I A L

25X1 SUBJECT: Improved Method for Evaluating Contractor Proposals

	<u>PROPOSED COST</u>	<u>COST ADJUSTMENT FACTOR</u>	<u>PROBABLE COST</u>	<u>PROPOSED TIME TO COMPLETE</u>	<u>TIME ADJUSTMENT FACTOR</u>	<u>PROBABLE TIME TO COMPLETE</u>
Contractor A	\$90K	1.5	\$135K	20 WKS	1.4	28 WKS
Contractor B	\$100K	1.2	\$120K	22 WKS	1.2	26 WKS <input data-bbox="1409 598 1528 657" type="text"/>

25X1 6. Assuming that their technical proposals are about equal, Contractor A would have been selected based on his lower proposed cost and shorter proposed time to complete. However, if past performance is factored into the decision, Contractor B would win the bid based on his lower probable cost and probable shorter time to complete.

25X1 7. Most of this data is already available on contract inspection reports. It needs to be systematically put into a central data base. Formulas must be derived for cost adjustment factors and time adjustment factors. Recent contractor performance may be weighed more heavily than less recent performance. Cost overruns should not include those caused by a change in scope. Other guidelines need to be established to ensure an equitable and meaningful means of adjusting the proposed efforts of each contractor. Project Evaluation Teams should be furnished this information and expected to use it in their evaluations.

25X1 8. Contractors should be made aware of the fact that their proposed costs and times to complete will be adjusted for past performance. This will encourage them to control their costs and completion times.

25X1 9. If this idea is considered feasible, I would be pleased to expand on how contractor performance data can be collected and formulated.

25X1

C O N F I D E N T I A L

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ADMINISTRATIVE - INTERNAL USE ONLY
Central Intelligence Agency



Washington, D. C. 20505

28 November 1984

MEMORANDUM FOR ALL EMPLOYEES

SUBJECT: Creative Problem Solving

1. The intelligence problems the Agency faces continue to grow in number and complexity. Responding to these varied challenges puts a premium on our ability to develop a continuing stream of innovative solutions. We can use all the good ideas we can get, and it is crucial that we be prepared to act quickly on the most promising. This means that we do not subject occasional flashes of inspiration to bureaucratic red tape and endless levels of review before they reach the appropriate decisionmaker. I have, therefore, established a top-level forum in the Agency for reviewing and reacting to new ideas concerning ways to accomplish our mission better. It consists of the Deputy Director of Central Intelligence, the Executive Director, and myself. I invite each of you with ideas for new or better ways to respond to critical intelligence problems -- including improvements in the collection, production, or dissemination of intelligence or to the way we are organized to do our job -- to send them directly to one of the three of us. We will decide in short order on the merit and feasibility of such proposals and, if appropriate, arrange to implement them rapidly.
2. CIA already participates in two other programs designed to take maximum advantage of employee expertise and imagination. The Agency's cash awards program, administered by the Office of Personnel, recognizes suggestions and special accomplishments that result in savings to the Government. The Community-wide Production Enhancement Initiatives program, managed by the Intelligence Producers Council, explores potentially useful, but longer-term, initiative to improve the intelligence production process. I hope that by supplementing these formal programs with the informal one described above, we will be able to initiate some innovative short-term projects providing immediate intelligence payoff.
3. I urge you to share your ideas with us on how the Agency may do its job better. You are, after all, the ones who meet the challenges of Agency business head on every day and are, therefore, the best source of new concepts for solving pressing intelligence problems.

William J. Casey
William J. Casey